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PRESS RELEASE

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**Foreign Subsidiary of PPG Industries, Inc. Pleads Guilty
To Illegally Exporting High-Performance Coatings
To Nuclear Reactor in Pakistan
- Company Agrees to Pay \$3.75 Million in Fines and Forfeit \$32,319 -**

WASHINGTON - PPG Paints Trading (Shanghai) Co., Ltd., a wholly-owned Chinese subsidiary of United States-based PPG Industries, Inc., pled guilty today to conspiring to violate the International Emergency Economic Powers Act and the Export Administration Regulations, and other related charges, announced Ronald C. Machen Jr., U.S. Attorney for the District of Columbia, and Eric L. Hirschhorn, U.S. Department of Commerce Under Secretary for Industry and Security.

The case's combined \$3.75 million in criminal and civil fines represent one of the largest monetary penalties for export violations in the history of the U.S. Department of Commerce's Bureau of Industry and Security.

The guilty plea stemmed from actions by PPG Paints Trading that caused the illegal export, reexport and/or transshipment of high-performance coatings from the United States to the Chashma 2 Nuclear Power Plant in Pakistan (Chashma 2), via a third-party distributor in the People's Republic of China.

As part of its plea agreement, PPG Paints Trading agreed to pay the maximum criminal fine of \$2 million, and serve five years of corporate probation. The gross proceeds received by PPG Paints Trading for these three illegal exports was \$32,319. As part of its plea agreement, PPG Paint Trading has forfeited the entire \$32,319 to the government.

PPG Paints Trading entered the guilty plea this morning and was sentenced this afternoon in accordance with the terms of the plea agreement by the Honorable Judge Rosemary M. Collyer in U.S. District Court for the District of Columbia.

Under the terms of the related civil settlements, PPG Industries and PPG Paints Trading agreed to pay civil penalties of \$750,000 and \$1 million respectively. To ensure that the companies going forward maintain a commitment to U.S. export controls compliance, the Bureau of Industry and Security also required an audit of 2011 and 2012 export transactions of PPG and its relevant business units in the United States and China, including transactions related to restricted end users on the agency's Entity List and nuclear end uses and end users.

These cases emphasize the critical role that U.S. parent companies play in monitoring the activities of their subsidiaries dealing in U.S.-origin items that are subject to the Export Administration Regulations.

"This case demonstrates our resolve to vigorously enforce U.S. export law," said U.S. Attorney Machen. "It should also serve as a warning to corporations that would violate U.S. export laws. It is not only unlawful, it is also bad business. In this case, the millions in fines to be paid by the corporate defendant are 100 times more than the gross proceeds generated by the unlawful export scheme."

"This case demonstrates the Office of Export Enforcement's commitment to thwart the illegal export of U.S. goods to end-users of concern. We will vigorously investigate and seek prosecution of companies and individuals who illegally export items to sanctioned entities," said U.S. Department of Commerce Under Secretary for Industry and Security Eric L. Hirschhorn.

According to count one of the information filed with the court, beginning in or about June 2006 through in or about March 2007, PPG Paints Trading conspired to export high-performance PPG Industries' coatings from the United States to Chashma 2, via China, without first having obtained the required export license from the Bureau of Industry and Security in violation of the Export Administration Regulations. Chashma 2 is a Pakistan Atomic Energy Commission power plant under construction near Kundian, Punjab province, Pakistan.

The Pakistan Atomic Energy Commission is the science and technology organization in Pakistan responsible for Pakistan's nuclear program including the development and operation of nuclear power plants in Pakistan. In November 1998, following Pakistan's first successful detonation of a nuclear device, the Commerce Department's Bureau of Industry and Security added the Pakistan Atomic Energy Commission, as well as its subordinate nuclear reactors and power plants, to the list of prohibited end users under the Export Administration Regulations.

As a restricted end-user, a United States manufacturer seeking to export, reexport, or transship any items subject to the Export Administration Regulations to the Pakistan Atomic Energy Commission, or its nuclear power plants or reactors, would need first to obtain a license from the Department of Commerce in the District of Columbia.

According to count one of the information, in January 2006, PPG Industries sought such an export license for the shipments of coatings to Chashma 2. The Commerce Department denied that license application in June 2006. Following that denial, the information states, PPG Paints

Trading agreed upon an arrangement whereby it would sell the high-performance coatings to a third-party distributor in China which, in turn, would deliver the coatings for application at Chashma 2. In its purchase orders for the shipments in question, PPG Paints Trading falsely stated that the coatings were to be used at a nuclear power plant in China, the export of goods to which would not require a license from the Department of Commerce.

Counts two through four of the information state that PPG Paints Trading violated the International Emergency Economic Powers Act and the Export Administration Regulations when it willfully exported, reexported, and transshipped and/or attempted to export, reexport and transship three shipments of coatings destined for Chashma 2 between June 2006 and March 2007 without the required Commerce Department license. The gross proceeds received by PPG Paints Trading for these three illegal exports was \$32,319. As part of its plea agreement with the government, PPG Paint Trading has, in addition to paying a \$2 million criminal fine and \$1 million civil fine, forfeited the entire \$32,319 to the government.

In announcing the guilty plea and sentencing, U.S. Attorney Machen and Under Secretary Hirschhorn commended Special Agents James Fuller and Donald Pearce, who worked under the direction of Special Agent In Charge Sidney M. Simon and Assistant Special Agent in Charge Jonathan Carson, as well as Attorney Advisor R. Elizabeth Abraham, all of the Department of Commerce's Bureau of Industry and Security. They also thanked Assistant U.S. Attorneys G. Michael Harvey and John Borchert of the U.S. Attorney's Office for the District of Columbia, who prosecuted this matter.

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